



# Cemetery Fees Audit



**City of Charlotte**  
**Internal Audit Department**  
600 E. Fourth St.  
Charlotte, NC 28202

## **Staff**

### **City Auditor**

Tina Adams, CPA, CIA

### **Deputy City Auditor**

Craig Terrell, CPA, CISA

### **Internal Auditor**

Christopher Douglas

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please visit our [website](#).

**August 7, 2023**

# Cemetery Fees Audit Executive Summary

## Objective

This audit was conducted to determine whether cemetery fees are charged and collected in accordance with City policy.

## Background

The City owns and operates seven cemeteries under the Landscape Management Division within the General Services Department. Cemetery operations include approximately 500 interments each year, along with maintenance of 200 acres of property.

The Operations Supervisor currently conducts an informal annual review of cemetery fees to determine whether they should be updated. City Council approves all city user fees through the annual operating budget process. Revenue for FY23 is approximately \$1.25 million.

## Conclusion

Cemetery fees were charged and collected in accordance with City policy. Reconciliation of Cityworks and Munis data will strengthen internal controls.

## Highlights

*General Services has established adequate controls for cemetery revenue collection except for a reconciliation of revenue recorded in Cityworks to the City's financial system.*

- Collection of fees
  - Staff accurately recorded transactions in Cityworks.
  - Checks are deposited promptly using desktop depositing.
  - Daily cash reports were submitted timely.
- Reconciliation of fees
  - An automated interface does not exist.
  - Cityworks receipt numbers are not recorded in Munis.
  - General Services should reconcile transactions that are recorded in Cityworks to amounts recorded in Munis.

*Costs are not segregated and monitored by service fee.*

- Staff conducts an annual analysis of fees.
- Perpetual care cost is not segregated from operating costs.
- General Services should track costs to perform specific services, establish an overall cost recovery goal, and calculate the projected fees required to meet the established cost recovery goal.

*Established cemetery fees can be altered in Cityworks.*

- Established (published) rates were frequently reduced for individual transactions (for example, indigent burials)
- General Services should require that the Operations Supervisor review and approve any adjustments made to fees.

## Actions Planned

General Services agrees that it is important to mitigate risks associated with cemetery fees management and commits to necessary improvements which will provide for visibility, transparency, and compliance. Specific details regarding these improvements are included in General Services' responses.

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## Objective

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The objective of this review was to determine whether cemetery fees are charged and collected in accordance with City policy.

## Background

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The City owns and operates seven cemeteries under the Landscape Management Division within the General Services Department. Cemetery operations include approximately 500 interments each year, along with maintenance of 200 acres of property. All municipal cemeteries are in perpetual care - a one-time fee on sales funds groundskeeping in perpetuity. Perpetual care does not include the repair or replacement of any markers, vases, or monuments.

The Operations Supervisor currently conducts an informal annual review of cemetery fees to determine whether they should be updated. City Council approves all city user fees through the annual operating budget process. The following table demonstrates cemetery revenue for the past five fiscal years:

Accounts	2023	2022	2021	2020	2019
Grave Digging	\$474,487	\$344,630	\$476,486	\$343,918	\$322,115
Monument Foundation	\$95,145	\$77,222	\$87,966	\$71,373	\$93,285
Perpetual Care*	\$92,444	\$72,822	\$60,990	\$41,220	\$43,720
Sale of Lots	\$593,100	\$368,550	\$316,740	\$208,540	\$237,496
Total	\$1,255,176	\$863,224	\$942,182	\$665,051	\$696,616

\* Recorded in General Fund FY2019 to FY2021; Perpetual Care Fund in FY2022 and FY2023

## Scope, Methodology, and Compliance

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### Scope

The audit covered cemetery revenue collections from FY22 and FY23.

### Methodology

To achieve the audit objectives, auditors performed the following:

- Interviewed relevant department personnel
- Gained an understanding of internal controls
- Gained an understanding of the functionality of Cityworks as it pertains to the cemetery
- Selected a judgmental sample of revenue transactions to test controls
- Conducted site visits

To address the accuracy of cemetery revenue, auditors assessed the reliability of data in Cityworks. Cityworks is a software local governments and utility agencies use to support the lifecycle of infrastructure projects. Cityworks has 15 different configurations for use across

various departments within the City of Charlotte. General Services uses Cityworks to schedule work orders and record cemetery revenue. Determinations made regarding the reliability of Cityworks data is limited to the segment of Cityworks configured for General Services use for cemetery operations.

Auditors assessed the reliability of Cityworks data by (1) performing tests of system controls and data, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing staff knowledgeable about the data. Auditors determined that Cityworks data was not sufficiently reliable for the purpose of this audit. Details of Cityworks testing are discussed in Finding 2.

A sample of 30 cemetery revenue transactions were selected for review. These projects were judgmentally selected based on fee type, gravesite location, dollar value and date.

## Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards require that we determine which internal controls are material to the audit objective and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of cemetery fees processes and the associated internal controls; assessed the internal control risks; and determined the following internal control components were significant:

- Control Environment – The set of standards, processes and structures that provide the basis for carrying out internal controls
- Control Activities – The actions management establishes through policies and procedures to achieve objectives and respond to risks

The internal control deficiencies that are significant within the context of the audit objective are discussed in the Findings and Recommendations section of this report. For additional information regarding internal control components and the related principles of internal control, please see Appendix A.

## Findings and Recommendations

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***1. General Services has established adequate controls for cemetery revenue collection except for a reconciliation of revenue recorded in Cityworks to the City's financial system.***

The City of Charlotte's Financial Internal Control Policy (FIN 1) requires that "all financial transactions and other significant activities be promptly documented, recorded and properly classified."

Auditors judgmentally selected and tested 30 transactions to determine if General Services staff complied with the most significant requirements noted in the Finance policies. In addition, auditors verified that staff charged the appropriate fees for services as published on the City's website. No exceptions were noted. The following controls were considered strengths:

- Staff accurately recorded cemetery transactions in Cityworks, an electronic system capable of tracking gravesite inventory and purchases
- Checks are deposited promptly using desktop depositing
- Daily cash reports were submitted to the City's Revenue Division timely
- Receivable amounts were reported to the City's Accounts Receivable Division

General Services staff use Cityworks to record the sale of gravesites and burial services. Cityworks uses a GIS interface to allow General Services to plot, record and monitor the transaction history associated with each recorded gravesite. It is possible for General Services staff to record a transaction in Cityworks without ensuring that the revenue received is recorded in Munis. To ensure deposits reported to the City's Revenue Division are properly reflected in Munis (the City's financial system of record), General Services staff would need to reconcile revenue recorded in Cityworks to revenue recorded in Munis. General Services staff informed auditors that they do not perform this reconciliation.

Auditors compared revenue recorded in Cityworks in FY22 to amounts recorded in Munis. The chart below indicates that Cityworks revenue exceeded that recorded in Munis by \$77,628.

Munis and Cityworks Comparison FY2022					
	Open and Close Fees	Monument Foundation	Sale of Graves	Perpetual Care	Total
Munis*	\$370,560	\$77,222	\$367,875	\$72,822	\$888,479
Cityworks	\$386,120	\$83,385	\$419,660	\$76,942	\$966,107
Difference	(\$15,560)	(\$6,163)	(\$51,785)	(\$4,120)	(\$77,628)

\* Includes \$25,255 adjustment for Accounts Receivable not recorded in Munis

To identify whether any funds were misappropriated would require review of more than 800 individual transactions in Cityworks. Reconciling accounts is an important activity for businesses because it is an opportunity to check for fraudulent activity and prevent financial statement errors. The following factors impact the ability to reconcile transactions recorded in Cityworks to revenue amounts recorded in Munis:

- An automated interface does not exist between Cityworks (the system used to record sales) and Munis.
- Cityworks receipt numbers are not recorded in Munis.
- Accounts receivables are entered in Cityworks as revenue when billed but are only recorded as revenue in Munis when collected/received.
- Cityworks reports provided to auditors may not be accurate due to duplicates or query errors.

The lack of a reconciliation between Cityworks and Munis increases the risk for misappropriation of funds.

**Recommendation:** General Services should reconcile transactions that are recorded in Cityworks to amounts recorded in Munis.

**Value Added:** Compliance; Risk Reduction

**General Services Response:** Agree. General Services agrees that it is important to mitigate risks associated with cemetery fees management and commits to necessary improvements which will provide for visibility, transparency, and compliance.

The lack of a native payment reconciliation function in Cityworks, along with no automated integration between Cityworks and the city's financial system, Munis, has compounded transaction reconciliation challenges. General Services has investigated opportunities to

request an automated interface between Cityworks and Munis. Unfortunately, modifications and new integrations to Munis are not possible as the City is focused forward in implementing Workday, the city's new Enterprise Resource Planning (ERP) system. It is important to note that an integration between Cityworks and Workday is planned and should provide for additional controls in transaction reconciliation. The projected timeline for availability of a Cityworks/Workday integration is early 2025.

General Services will actively participate in planned ERP integration development and implementation strategies that can support improved controls around cemetery fees management. In the interim, General Services will investigate additional opportunities to implement improvements where possible through added staff/supervisory reviews in both Cityworks and Munis, as well as increasing collaboration with Finance. A formal action plan for ERP integration and interim improvements will be completed by December 31, 2023.

## ***2. Costs are not segregated and monitored by service fee.***

The Government Finance Officers Association (GFOA) supports the use of charges and fees as a method of financing governmental goods and services. The GFOA recommends that entities calculate the full cost of providing services and suggests that fees should be reviewed and updated regularly.

A Municipal Cemetery Benchmarking Study, completed in 2015, recommended that the City of Charlotte develop a more formalized approach to establishing fees that considers service costs and competitor fees. The study recommended that future changes should be justified by the data collected through this process.

Staff conducts an annual analysis of fees charged by other cemeteries in the geographic area and similar municipal cemeteries across the country. Fees are established based on this analysis, considering desired service levels and the needs of the City's indigent population. General Services staff does not segregate and monitor costs by cemetery services performed (e.g., the costs to perform burial services are not segregated from costs to provide perpetual care) and therefore has not performed a full cost analysis.

Since cemetery fees are classified as non-regulatory, specific cost recovery goals are not required. Nevertheless, understanding the true cost of performing specific services could identify inefficiencies and help management assess established fees.



Revenue and expenses have fluctuated over the past five fiscal years, as shown in the table below:

<b>Cemetery Revenue and Expenses FY19 to FY23</b>					
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	\$1,255,176	\$863,224	\$942,182	\$665,051	\$696,616
<b>Expenses</b>					
Salary and Wages	\$708,966	\$657,335	638,459	\$583,524	\$574,119
Contractual Services	\$492,704	506,405	\$339,841	238,572	\$361,513
Other Expenses	<u>\$153,206</u>	<u>\$147,096</u>	<u>\$125,009</u>	<u>\$137,863</u>	<u>\$191,015</u>
Total Expense	<u>\$1,354,876</u>	<u>\$1,310,836</u>	<u>\$1,103,309</u>	<u>\$959,959</u>	<u>\$1,126,647</u>
<b>Net Income/(Loss)</b>	(\$99,700)	(\$447,612)	(\$161,127)	(\$294,908)	(\$430,031)

In the Cemetery Revenue and Expenses table above, it should be noted that the 2023 increase to revenues was the result of the sale of a large land area in the cemeteries for burials. Fluctuations in contractual services from 2021 through 2023 are the result of rising costs of contractual labor followed by General Services' efforts to implement budget management strategies most effectively by decreasing scopes of services in line with budget capacity.

As of June 2023, the perpetual care fund had a cash equity balance of \$3.35 million and earned \$40,318 in interest revenue in FY22. The cost to provide perpetual care is not segregated from other operating costs and has not been estimated. Segregating and monitoring perpetual care costs could help in establishing cost recovery goals and calculating fees for services.

**Recommendation:** General Services should:

- track costs to perform specific services where possible
- determine or establish an overall cost recovery goal
- calculate the projected fees required to meet established recovery goals

**Value Added:** Compliance; Efficiency

**General Services Response:** Agree. General Services does track costs to perform services and uses sound budget principles and strategies in both budget development and funds appropriations to support cemetery services. In instances where budget is negatively impacted, often due to unforeseen situations (e.g., Covid, economy and supply chain

constraints, changes in the burial market, etc.), General Services implements effective modifications and/or spending restrictions as may be required from time to time.

The city has never treated cemetery services as a money-making proposition, but rather a necessary and valuable service to support our community and local churches. Heretofore, there has been no objective to establish a cost recovery goal or ensure that service costs and fees are equivalent to appropriated budgets and/or provide a revenue stream. General Services does understand the importance of being able to project, budget for, and monitor the cost of city services to mitigate negative impacts to city funds.

Going forward, General Service will:

- continue to assess other local municipalities' cemetery fees, service structure, and cost recovery methodologies for comparison and potential optimization;
- explore the city's position on cost recovery goals;
- perform increased cost tracking for city services to consider impact on the annual fee structure and the city's budget;
- discuss opportunities for cemetery facility (e.g.; mausoleums and monuments) maintenance and repair funding through the perpetual care fund, which is administered and managed by Finance; and
- institute a cost analysis effort for consideration in future budget impacts and requests.

Findings will be shared with Strategy & Budget and Finance as part of the annual cemetery fees review. The above items will be completed or have formal action plans by December 31, 2023.

### ***3. Established cemetery fees can be altered in Cityworks.***

Although testing indicated that cemetery fees charged agreed to published rates, analysis of Cityworks data indicated that the established (published) rates were frequently reduced for individual transactions in Cityworks. In the absence of a system control that would prevent established fees from being modified, best practices suggest that an approval process be in place to authorize the charging of fees that don't agree with published rates.

The cemetery's Assistant Supervisor stated that only the Operations Supervisor and the Assistant Supervisor are authorized to reduce fees in Cityworks. The reasons for reductions are noted in comment fields in Cityworks. A common example is for the reduction of burial costs for authorized charity cases. Auditors judgmentally selected a sample of five transactions where the established/published fee was changed. Reasonable explanations were provided for each of the transactions. However, evidence of actual approval for the reductions was not retained or attached in Cityworks.

**Recommendation:** General Services should require that the Operations Supervisor review and approve any adjustments made to the fees listed in Cityworks. This could be accomplished systematically in Cityworks or by retaining documented evidence of approval in Cityworks or hard copy files.

**Value Added:** Risk Reduction

**General Services Response:** Agree. General Services will modify the CityWorks workflow to include secondary reviews as a control thus requiring the Operations Supervisor to approve cemetery fee changes that are different than published rates. This modification will be implemented by December 31, 2023.

## Conclusion

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Cemetery fees were charged and collected in accordance with City policy. Reconciliation of Cityworks and Munis data will strengthen internal controls.

## Distribution of Report

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This report is intended for the use of the City Manager's Office, City Council, and General Services. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).

## Appendix A

### The Five Components and 17 Principles of Internal Control

#### Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

#### Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

#### Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

#### Information & Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

#### Monitoring

16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.